

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 EUR-12 NEA-10 ISO-00 L-03 H-01 IO-13
PA-01 SP-02 ICA-11 AID-05 EB-08 NSC-05 SS-15
STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /129 W
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 8182
INFO AMEMBASSY BERN

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USADB

FOR NAC AGENCIES

EO 11652:NA
TAGS: EAID, EFIN, ADB
SUBJECT: PROPOSED SWISS FRANC BORROWING

REF: MANILA 10974

1. SWISS BANK CORPORATION (SBC) IS PREPARED TO PURCHASE
FROM ADB, FOR PRIVATE PLACEMENT, NOTES IN AN AMOUNT NOT TO
EXCEED ONE HUNDRED MILLION SWISS FRANCS (APPROXIMATELY
53.4 MILLION US DOLLARS AS OF JUNE 30, 1978).

2. PRINCIPLE PROPOSED TERMS ARE:

A. INTEREST RATE: 4-3/8 PERCENT PAYABLE ANNUALLY

B. MATURITY: 10 YEARS STRAIGHT (NO INTERMEDIATE
REPAYMENTS)

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C. ISSUE PRICE: PAR (100 PERCENT)

D. COMMISSION: 2 PERCENT

E. OTHER COSTS: PAYING AGENCY FEES OF 1/4 PERCENT
ON PAYMENT OF INTEREST COUPONS AND 1/8 PERCENT ON REPAYMENT
OF PRINCIPAL (THE LATTER CHARGE WILL BE WAIVED TO THE

EXTENT OF ANY CONVERSIONS AT MATURITY)

F. FISCAL AGENCY: SBC

G. COST OF ADB: 4.60 PERCENT

3. CURRENT LEVEL OF INTEREST RATES IN SWITZERLAND IS HISTORICALLY LOW AND IN COMPARISON WITH OTHER MARKETS, THE RATE OFFERED IN SWITZERLAND IS LOWEST AVAILABLE FOR A 10-YEAR MATURITY IN INTERNATIONAL CAPITAL MARKETS AT THIS TIME. THE TEN YEAR MATURITY WHICH HAS BEEN NEGOTIATED AND FOR WHICH SWISS NATIONAL BANK APPROVAL HAS BEEN OBTAINED IS A BREAKTHROUGH FOR ADB SINCE NO PRIVATE PLACEMENT WITH A MATURITY EXCEEDING EIGHT YEARS HAS BEEN MADE TO DATE BY ANY OTHER FOREIGN BORROWER.

4. THE COMMISSION, AT 2 PERCENT, HAS BEEN NEGOTIATED DOWN TO MAKE IT CONSISTENT WITH THE COMMISSION SCALE USUALLY CHARGED TO IBRD ON ITS PRIVATE PLACEMENTS. THE COUPON, AT 4.375 PERCENT, IS ONE EIGHTH OF ONE PERCENT LOWER THAN ORIGINALLY OFFERED BY ALL THREE SWISS BANKS TENDERING FOR THIS PLACEMENT. CHANGES IN THE LOAN AGREEMENT RELATING TO THE TIMING OF INTEREST PAYMENTS AND PRINCIPAL REPAYMENTS WHICH HAVE BEEN NEGOTIATED WITH SBC WILL ALSO INVOLVE SAVINGS TO ADB DURING THE LIFE OF THE LOAN.

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5. PURSUANT TO REQUIREMENT OF ARTICLE 21, PARA. (1) OF THE AGREEMENT ESTABLISHING THE ADB, THE CONFEDERATION OF SWITZERLAND HAS BEEN REQUESTED TO GRANT THE NECESSARY APPROVALS WITH RESPECT TO THE PROPOSED BORROWING. A RESPONSE TO THIS REQUEST IS EXPECTED PRIOR TO THE MEETING AT WHICH THE DRAFT RESOLUTION IS CONSIDERED BY BOARD OF DIRECTORS. ADB PRESIDENT RECOMMENDS THAT THE BOARD AUTHORIZE THE CREATION, ISSUE AND SALE BY THE BANK FOR PRIVATE PLACEMENT OF THE PROPOSED 4-3/8 PERCENT SWISS FRANC NOTES.

6. ADB DOC. R64-78 ON ABOVE SUBJECT WAS POUCHED JULY 7 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS ON JULY 20. NAC GUIDANCE IS REQUESTED. EDMOND

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Message Attributes

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TAGS: EAID, EFIN, ADB, SBC
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